

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7440

BILL NUMBER: HB 1535

NOTE PREPARED: Jan 6, 2005

BILL AMENDED:

SUBJECT: Public safety volunteer deduction.

FIRST AUTHOR: Rep. Dodge

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides an Adjusted Gross Income Tax deduction of \$500 to an individual who serves as a volunteer firefighter, volunteer paramedic, or volunteer emergency medical technician during at least six months of the taxable year.

Effective Date: January 1, 2005 (retroactive).

Explanation of State Expenditures: The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate this deduction. These expenses presumably could be absorbed given the DOR's existing budget and resources.

Explanation of State Revenues: The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of individual taxpayers who are active volunteer firefighters, EMTs, or paramedics in Indiana. The revenue loss due to this bill could potentially total \$400,000 to \$500,000 annually beginning in FY 2006.

Background: The bill creates an AGI Tax deduction for individual taxpayers who are active volunteer firefighters, EMTs, or paramedics in Indiana for at least 6 months during the taxable year. The deduction is equal to \$500 each taxable year and would reduce the annual income tax liability of an active volunteer firefighter, EMT, or paramedic by \$17. It is estimated that there are between 24,000 and 29,000 taxpayers in Indiana who could potentially qualify for the deduction (17,000 and 22,000 active volunteer firefighters, 6,000

volunteer EMTs, and 1,000 volunteer paramedics). Thus, the deduction could lead to an annual revenue loss ranging from about \$400,000 to \$500,000, provided the deduction is claimed by each active volunteer firefighter, EMT, and paramedic. Since the deduction is effective beginning in tax year 2005, the fiscal impact would begin in FY 2006. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of the revenue is deposited in the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: Because the proposed deduction would serve to decrease taxable income, counties imposing local option income taxes (CAGIT, COIT, and/or CEDIT) may, as a result, experience an indeterminable decrease in revenue from these taxes.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties with local option income taxes.

Information Sources: Mike Garvey, State Emergency Management Agency, (317) 232-3983; Gary Robison, Office of the State Fire Marshal, (317) 232-2227; Jack Kerney, Vice-President, Indiana Volunteer Firefighters Association, (877) 606-4832; Indiana Volunteer Firefighters Association, <http://www.ivfa.org/>.

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